CARP LAKE TOWNSHIP EMMET COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2004

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

| Issued u | nder P.A. 2 of | 1968 | , as amend | ed. | | | | | | | |
|-------------------|----------------------|--------|--|--|--------------|------------------|--|-------------------|-----------------|-------------------|------------------|
| Cit | | | nip 🔲 | Village | Other | Local Governme | | | | County Emme | t County |
| 3/31/0 | | | | Opinion E 11/3/0 | | | Date Accountant Report Sul 11/4/04 | omitted to State: | | | |
| Financi | ial Stateme | | | | | | overnment and render nting Standards Board nt in Michigan by the M | | | | |
| | rm that: have com | plied | d with the | Bulletii | n for the Au | dits of Local U | nits of Government in N | Aichigan as re | VOV | / - 5 | 2004 |
| | | | | | | to practice in | | i | OCAL AUD | IT & FIN. | ANCE DIV |
| We furti comme | her affirm t | he fo | ollowing. nendatio | "Yes" re | esponses ha | ave been discl | osed in the financial sta | atements, incl | uding the | notes, or | in the report of |
| You mus | st check the | e ap | plicable b | oox for e | each item be | elow. | | | | | |
| Yes | ✓ No | 1. | Certair | compo | nent units/f | unds/agencies | of the local unit are ex | cluded from t | he financia | al staten | nents. |
| Yes | ✓ No | 2. | There a | are acc 1980). | umulated d | eficits in one o | or more of this unit's u | inreserved fui | nd balance | es/retain | ed earnings (P.A |
| Yes | ☐ No | 3. | There a | are inst ed). | ances of n | on-compliance | with the Uniform Acc | counting and | Budgeting | a Act (P. | A. 2 of 1968, a |
| Yes | ✓ No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. | | | | | | | | |
| Yes | ✓ No | 5. | The loc | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). | | | | | | | |
| Yes | ✓ No | 6. | The loca | al unit h | as been del | inquent in dist | ributing tax revenues th | nat were colle | cted for ar | other ta | xing unit. |
| Yes | ✓ No | 7. | F-00.0 | DOME | s (nomial c | osis) in the ci | tional requirement (Art urrent year. If the plan uirement, no contributi | is more than | 100% fur | 'dod ood | 44 |
| Yes | ✓ No | 8. | | al unit i | | | s not adopted an app | | | | |
| Yes | ☑ No | 9. | The loca | al unit ha | as not adop | ted an investm | ent policy as required l | oy P.A. 196 of | 1997 (MC | CL 129.9 | 5). |
| We have | enclosed | the | followin | g: | | | | Enclosed | | Be arded | Not Required |
| The letter | r of comme | ents | and reco | mmend | ations. | | | ~ | 1 5111 | urded | required |
| Reports o | on individua | al fed | deral fina | ncial as | sistance pro | ograms (progra | am audits). | | <u> </u> | | |
| Single Au | dit Reports | s (AS | SLGU). | | | | | | | | ~ |
| | blic Accounta | | |)A DC | | | | | | | |
| Street Addre | | | | | | | City | - | T01-1- | | |
| 580 Sou | uth Nicol | et S | treet, P. | .O. Bo | 996 / | | Mackinaw C | ity | State MI | ZIP 497 | 01 |
| - Januari (| KL | / | (N | ak | lht, | O'II | | | Date 11/4/04 | 4 | |

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Member.

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

November 3, 2004

Township Board Carp Lake Township Emmet County, Michigan

I have audited the accompanying general purpose financial statements of *Carp Lake Township*, *Emmet County, Michigan*, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of *Carp Lake Township*, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of *Carp Lake Township*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

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Richard E. Mahlmeister, C.P.A.



CARP LAKE TOWNSHIP COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP MARCH 31, 2004

| | GOVERNMENTAL FUN | ID TYPES | FIDUCIARY FUND TYPE |
|---|------------------|--------------------|------------------------|
| ASSETS | GENERAL | SPECIAL REVENUE | TRUST AND AGENCY |
| Cash and cash equivalents | \$179,182 | \$149,400 | \$760 |
| Investments | 45,557 | 124,651 | - |
| Taxes receivable | 5,034 | 9,624 | - |
| Due from employees | 354 | • | - |
| Due from other funds | 760 | - | - |
| Fixed assets | - | - | - |
| Amount to be provided for retirement of | | | |
| general long-term debt | - | - | |
| TOTAL ASSETS | \$230,887 | \$283,675 | \$760 |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Accrued expenses | \$2,315 | \$375 | \$ - |
| Due to other funds | - | - | 760 |
| Note payable | _ | - | - |
| TOTAL LIABILITIES | 2,315 | 375 | 760 |
| FUND EQUITY | | | |
| Investment in general fixed assets | - | - | _ |
| Fund balances: | | | |
| Designated for: | | | |
| Subsequent years' expenditures | - | 5,956 | _ |
| Unreserved - undesignated | 228,572 | 277,344 | <u></u> |
| TOTAL FUND EQUITY | 228,572 | 283,300 | |
| TOTAL LIABILITIES | | | |
| AND FUND EQUITY | \$230,887 | \$283,675 | \$760 |

See Accompanying Notes.

| | GROUPS | |
|----------------|---------------------|------------------------------------|
| ~~~~ | GENERAL | TOTAL |
| GENERAL FIXED | LONG - TERM | (MEMORANDUM |
| ASSETS | DEBT | ONLY) |
| • | | |
| \$ - | \$ - | \$329,342 |
| - | - | 170,208 |
| - | - | 14,658 |
| - | - | 354 |
| - | - | 760 |
| 609,738 | - | 609,738 |
| | 50,000 | 50,000 |
| \$609,738 | \$50,000 | \$1,175,060 |
| | | |
| \$ - | \$ - | \$2,690 760 |
| \$ - - - | \$ - - 50,000 | \$2,690 760 50,000 |
| \$ - - - | - | 760 |
| - - - | 50,000 | 760 50,000 53,450 |
| 609,738 | 50,000 | 760 50,000 |
| - - - | 50,000 | 760 50,000 53,450 |
| - - - | 50,000 | 760 50,000 53,450 609,738 |
| - - - | 50,000 | 760 50,000 53,450 609,738 |

CARP LAKE TOWNSHIP COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

| REVENUES | GENERAL | SPECIAL REVENUE | TOTAL (MEMORANDUM ONLY) |
|-------------------------------------|-----------------|--------------------|-------------------------------|
| Taxes | \$39,890 | \$69,691 | £1.00 #0.1 |
| Payment in lieu of taxes | 6,306 | \$02,021 | \$109,581 |
| State shared revenues | 56,444 | - | 6,306 |
| Donations | - | 6,234 | 56,444 |
| Charges for services | 18,702 | 8,500 | 6,234 |
| Interest | 5,603 | • | 27,202 |
| Other | 3,589 | 3,805 654 | 9,408 4,243 |
| TOTAL REVENUES | 130,534 | 88,884 | 219,418 |
| EXPENDITURES | | | , , , , |
| Current: | | | |
| Legislative | 5 103 | | |
| General government | 5,193 | - | 5,193 |
| Public safety | 49,652 | - | 49,652 |
| Public works | - 25.105 | 34,128 | 34,128 |
| Recreation and culture | 35,195 | - | 35,195 |
| Other functions | 5,221 | - | 5,221 |
| Capital Outlay | 5,876 25,000 | 204 101 | 5,876 |
| | 23,000 | 204,181 | 229,181 |
| TOTAL EXPENDITURES | 126,137 | 238,309 | 364,446 |
| EXCESS (DEFICIENCY) OF REVENUES | | | |
| OVER EXPENDITURES | 4,397 | (149,425) | (145,028) |
| OTHER FINANCING SOURCES | | | |
| Loan proceeds | - | 50,000 | 50,000 |
| REVENUES AND OTHER SOURCES OVER | | | |
| (UNDER) EXPENDITURES AND OTHER USES | 4,397 | (99,425) | (95,028) |
| FUND BALANCES, BEGINNING OF YEAR | 224,175 | 382,725 | 606,900 |
| TUND BALANCES, END OF YEAR | \$228,572 | \$283,300 | \$511,872 |

See Accompanying Notes.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED MARCH 31, 2004

| | GENERAL FUND | | |
|-------------------------------------|--------------|-----------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| REVENUES | DCDGE1 | NOTONE. | (CIVITA V OTCABLE) |
| Taxes | \$40,400 | \$39,890 | (\$510) |
| Payment in lieu of taxes | 6,084 | 6,306 | - |
| State shared revenues | 50,000 | 56,444 | 6,444 |
| Donations | , - | - | · • |
| Charges for services | 21,000 | 18,702 | (2,298) |
| Interest | 2,000 | 5,603 | 3,603 |
| Other | 3,250 | 3,589 | 339 |
| TOTAL REVENUES | 122,734 | 130,534 | 7,578 |
| EXPENDITURES | | | |
| Current: | | | |
| Legislative | 5,650 | 5,193 | 457 |
| General government | 53,215 | 49,652 | 3,563 |
| Public safety | - | - | - |
| Public works | 39,725 | 35,195 | 4,530 |
| Recreation and culture | 5,360 | 5,221 | 139 |
| Other functions | 5,680 | 5,876 | (196) |
| Capital Outlay | 12,000 | 25,000 | (13,000) |
| TOTAL EXPENDITURES | 121,630 | 126,137 | (4,507) |
| EXCESS (DEFICIENCY) OF REVENUES | | | |
| OVER EXPENDITURES | 1,104 | 4,397 | 3,293 |
| OTHER FINANCING SOURCES | | | |
| Loan proceeds | | _ | - |
| REVENUES AND OTHER SOURCES OVER | | | |
| (UNDER) EXPENDITURES AND OTHER USES | 1,104 | 4,397 | 3,293 |
| FUND BALANCES, BEGINNING OF YEAR | 224,175 | 224,175 | - |
| FUND BALANCES, END OF YEAR | \$225,279 | \$228,572 | \$3,293 |

See Accompanying Notes.

| SPECIAL REVENUE FUND | PECIA | L REV | ENUE | FUNDS |
|----------------------|-------|-------|------|-------|
|----------------------|-------|-------|------|-------|

| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|-----------|-------------|--|
| \$69,811 | \$69,691 | (\$120) |
| - | - | - |
| - | 6,234 | - |
| 6,000 | 8,500 | 6,234 2,500 |
| 2,620 | 3,805 | 1,185 |
| 1,500 | 654 | (846) |
| 79,931 | 88,884 | 8,953 |
| - | - | - |
| 37,817 | 34,128 | 2 690 |
| 29,000 | J+,120 - | 3,689 29,000 |
| · - | - | - |
| 12,000 | 204,181 | (192,181) |
| 78,817 | 238,309 | (159,492) |
| 1,114 | (149,425) | (150,539) |
| | 50,000 | 50,000 |
| 1,114 | (99,425) | (100,539) |
| 382,725 | 382,725 | |
| \$383,839 | \$283,300 | (\$100,539) |

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carp Lake Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements. The following fund types and account group are utilized by the township:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUND

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

ACCOUNT GROUPS

General Fixed Assets

This account group presents the fixed assets of the Township utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt, which is not recorded in proprietary or trust funds.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) as net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Material amounts of known commitments are sometimes recognized at the end of an accounting period to properly match the commitments with the applicable appropriation. No such commitments existed at March 31, 2004. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with original maturity values of longer than three months.

RECEIVABLES

Receivables are reported at gross value or net of a valuation allowance, if applicable.

FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

Fixed assets used in the general operation of the township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including streets, roads and sidewalks are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their fair market value on the date donated.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

The two account groups are not funds. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

RESERVES AND DESIGNATIONS

Reserved fund balances indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods. The Township has no reserves.

VACATION AND SICK LEAVE

There is no accumulated vacation or sick leave to be recognized.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Appropriations are approved by the Township Board on a functional level basis for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2004, the Township incurred expenditures which exceeded the amount appropriated as follows:

| Fund Ap | propriations | Expenditures | <u>Variance</u> |
|--------------------------|--------------|---------------------|-----------------|
| GENERAL FUND: | | | |
| Other functions | \$ 5,680 | \$ 5,876 | \$ 196 |
| Capital outlay | \$12,000 | \$ 25,000 | \$13,000 |
| SPECIAL REVENUE: | | | |
| Fire | \$12,000 | \$ 71,906 | \$ 59,906 |
| Fire Capital Improvement | \$ - | \$132,275 | \$132,275 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in two financial institutions located in Michigan in varying amounts as follows:

| Cash and cash equivalents Investments | \$329,342 |
|---------------------------------------|-----------|
| mvestments | 170,208 |
| | \$499,550 |

At year-end the carrying amount of the Township's deposits were classified as to risk as follows:

| | Carrying Amount | Bank Balance |
|--|----------------------|----------------------|
| Insured (FDIC) Uninsured – uncollateralized | \$200,760 298,790 | \$289,096 232,764 |
| | \$499,550 | \$521,860 |

Certificates of deposit of \$170,208 with an original maturity of greater than 90 days are recorded in the financial statements as investments. All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: PROPERTY TAX

Property tax revenues for the year ended March 31, 2004, reflected in the accompanying financial statements include property taxes levied December 31, 2003. These taxes are due by February 15, 2004, and are added to the County tax rolls after February 29, 2004. The Township will receive 100% payment for the delinquent Township tax by June, 2004.

The taxable value of the Township totaled \$29,071,796, before Board of Review adjustments, on which ad valorem taxes consisted of .9557 mill for the Township's operating purposes, 1.4428 mills for fire protection and .9557 mill for roads, raising \$27,756 for operating, \$41,921 for fire protection and \$27,770 for roads.

NOTE 5: PENSION PLAN

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6% of employees' gross earnings and employees contribute 6% percent of earnings. In accordance with these requirements, the Township contributed \$1,042 during the current year, and the employees contributed \$1,042. Fees and contract charges were \$170.

NOTE 6: GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

| | Balance April 1, 2003 | Additions | (Deletions) | Balance March 31, 2004 |
|---------------------------------------|--------------------------|-----------|-------------|---------------------------|
| Land Buildings and | \$10,201 | \$ - | \$ - | \$10,201 |
| Improvements Machinery and equipment | 59,028 15,216 | - | - | 59,028 15,216 |
| Fire trucks and equipment | 296,112 | 229,181 | | 525,293 |
| | \$380,557 | 229,181 | \$ - | \$609,738 |

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2004, and transactions related thereto for the year then ended are as follows:

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7: LONG-TERM DEBT (CONTINUED)

| | Balance April 1, 2003 | 3 | Additions | Balance March 31, 2004 |
|--|--------------------------|---|-----------|---------------------------|
| Note payable – fire trucks Annual payments of \$6,102, | | | | |
| including interest at 3.74%. | \$ | - | \$50,000 | \$50,000 |

The annual requirements for five years ending March 31, 2005 and thereafter, including \$10,840 in interest, are as follows:

| Year Ended | |
|------------|----------|
| March 31, | Amount |
| 2005 | \$6,102 |
| 2006 | 6,102 |
| 2007 | 6,102 |
| 2008 | 6,102 |
| 2009 | 6,102 |
| 2010-2013 | 30,330 |
| | \$60,840 |

NOTE 8: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$160,500, general liability of \$3,000,000, wrongful acts of \$2,000,000, automobile of \$1,000,000, crime of \$10,000, inland marine liability of \$85,000 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

| - | |
|----------|---|
| - | |
| - | |
| - | COMBINING AND INDIVIDUAL FUND FINANCIAL |
| - | STATEMENTS |
| - | |
| _ | |
| <u> </u> | |
| _ | |
| - | |
| - | |
| - | |
| • | |
| • | |

GENERAL FUND

CARP LAKE TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED REVENUES FOR THE YEAR ENDED MARCH 31, 2004

| | TAXES | |
|--------------|--|-----------|
| - | Current property taxes | \$27.75/ |
| | Property tax administration fee | \$27,756 |
| | | 12,134 |
| • | TOTAL TAXES | |
| | | 39,890 |
| | Payment in lieu of taxes | |
| - | • | 6,306 |
| | STATE SHARED REVENUES | |
| | The second secon | 56,444 |
| _ | CHARGES FOR SERVICE | |
| - | Sanitation - landfill fees | |
| | and the least of t | 18,702 |
| | INTEREST INCOME | |
| | ATTENDED INCOME | 5,603 |
| | OTHER | |
| | Rents | |
| ,,,,, | Miscellaneous | 150 |
| | Miscellaneous | 3,439 |
| | TOTAL OTHER | |
| _ | TOTAL OTHER | 3,589 |
| | TOTAL DEVENIUS | |
| | TOTAL REVENUE | \$130,534 |

CARP LAKE TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

| | LEGISLATIVE | |
|---|--|---------|
| | Township Board: | |
| _ | Salaries | |
| , | Fringe benefits | \$2,050 |
| | Supplies | 723 |
| _ | Conferences and workshops | 514 |
| | Memberships and dues | 75 |
| | Other | 536 |
| _ | Other | 1,295 |
| | TOTAL LEGISLATIVE | |
| | TOTAL LEGISLATIVE | 5,193 |
| | | |
| | GENERAL GOVERNMENT | |
| | | |
| | Township Supervisor: Salaries | |
| | Office supplies | 3,820 |
| | Office supplies | 37 |
| | | |
| _ | | 3,857 |
| | Professional services: | |
| | Attorney | |
| - | Attorney | 374 |
| | | |
| | Assessor: | |
| _ | Contracted services | |
| | Office supplies | 8,513 |
| | office supplies | 3,743 |
| _ | | |
| | | 12,256 |
| | Clerk: | |
| _ | Salaries | |
| | Office supplies | 4,801 |
| | Transportation | 1,394 |
| _ | Printing and Publishing | 1,166 |
| | 1 - Month of the state of the s | 538 |
| | | |
| _ | | 7,899 |
| _ | Board of Review: | |
| | Contracted services | |
| | | 864 |

CARP LAKE TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED EXPENDITURES (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2004

| | GENERAL GOVERNMENT: (Cont'd) | |
|---------------|------------------------------|---------|
| | Treasurer: | |
| | Salaries | |
| | Office supplies | \$8,265 |
| | Contracted services | 2,964 |
| | Transportation | 330 |
| | • | 88 |
| | | |
| | | 11,647 |
| _ | Township Hall : | |
| | Contracted services | 30 |
| | Repairs | 550 |
| - | Utilities | 2,596 |
| | | 2,370 |
| | | 3,176 |
| _ | | |
| | Township Properties: | |
| | Contracted services | 968 |
| _ | Repairs | 688 |
| | | |
| | | 1,656 |
| _ | | |
| | Cemetery: | |
| | Salaries | 3,126 |
| _ | Repairs | 4,439 |
| | Utilities | 358 |
| | | |
| ;= | | 7,923 |
| X: " | TOTAL CENERAL COMPANY | |
| | TOTAL GENERAL GOVERNMENT | 49,652 |
| | | |

CARP LAKE TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED EXPENDITURES (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2004

| | PUBLIC WORKS | |
|---|--|---------------|
| | Highways and streets: | |
| | Contracted services - dust control and snow plowing | 73 (10 |
| | Promise and the promise and th | \$3,648 |
| | Sanitation: | |
| - | Salaries | E 47(|
| | Contracted services | 5,476 |
| | Other | 22,517 |
| _ | | 22 |
| | | 20.04 |
| | | 28,015 |
| - | Street lighting: | |
| | Utilities | 3,532 |
| | | 3,332 |
| _ | TOTAL PUBLIC WORKS | 35,195 |
| | | |
| | RECREATION AND CULTURE | |
| _ | Library: | |
| | Salaries | 300 |
| | Contracted services | 4,921 |
| _ | | 7,721 |
| | | 5,221 |
| | | |
| | OTHER | |
| | Insurance | 4,540 |
| | Pension expense | 1,336 |
| | TOTAL A DESCRIPTION | |
| - | TOTAL OTHER | 5,876 |
| | TOTAL CURP TO THE | |
| _ | TOTAL CURRENT EXPENDITURES | 101,137 |
| | CARTE AL OXIDA | , |
| | CAPITAL OUTLAY | 25,000 |
| | TOTAL EVENDITUDES | |
| _ | TOTAL EXPENDITURES | \$126,137 |
| | | |

| - | |
|---|-----------------------|
| - | |
| - | |
| • | |
| • | SPECIAL REVENUE FUNDS |
| • | |
| • | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

CARP LAKE TOWNSHIP ALL SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET MARCH 31, 2004

| ASSETS | FIRE FUND | FIRE CAPITAL IMPROVEMENT FUND | ROAD IMPROVEMENT FUND | TOTAL |
|---------------------------------------|--------------|-------------------------------------|-----------------------------|-----------|
| ASSETS: | | | | |
| Cash and cash equivalents Investments | \$46,339 | \$13,003 | \$90,058 | \$149,400 |
| | • | - | 124,651 | 124,651 |
| Taxes receivable | 5,789 | | 3,835 | 9,624 |
| TOTAL ASSETS | \$52,128 | \$13,003 | \$218,544 | \$283,675 |
| LIABILITIES AND FUND EQUITY | | | | |
| LIABILITIES | | | | |
| Accrued expenses | \$375 | <u> </u> | s - | \$375 |
| FUND EQUITY | | | | |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Designated for subsequent years' | | | | |
| expenditures | - | 5,956 | _ | 5,956 |
| Undesignated | 51,753 | 7,047 | 218,544 | 277,344 |
| TOTAL PUND POLITY | | | | |
| TOTAL FUND EQUITY | 51,753 | 13,003 | 218,544 | 283,300 |
| TOTAL LIABILITIES | | | | |
| AND FUND EQUITY | \$52,128 | \$13,003 | \$218,544 | \$283,675 |

CARP LAKE TOWNSHIP ALL SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2004

| | FIRE FUND | FIRE CAPITAL IMPROVEMENT FUND | ROAD IMPROVEMENT FUND | TOTAL |
|-------------------------------------|--------------|-------------------------------------|-----------------------------|-----------|
| | | | | |
| REVENUES: | | | | |
| Taxes | \$41,921 | \$ - | \$27,770 | \$69,691 |
| Donations | 36 | 6,198 | - | 6,234 |
| Charges for services | 8,500 | - | - | 8,500 |
| Interest | 141 | 154 | 3,510 | 3,805 |
| Other | 654 | - | | 654 |
| TOTAL REVENUES | 51,252 | 6,352 | 31,280 | 88,884 |
| EXPENDITURES: | | | | |
| Public safety | 33,878 | 250 | - | 34,128 |
| Public works | - | - | _ | , |
| Capital outlay | 71,905 | 132,276 | | 204,181 |
| TOTAL EXPENDITURES | 105,783 | 132,526 | • | 238,309 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER EXPENDITURES | (54,531) | (126,174) | 31,280 | (149,425) |
| OTHER FINANCING SOURCES | | | | |
| Loan proceeds | | 50,000 | | 50,000 |
| REVENUES AND OTHER SOURCES OVER | | | | |
| (UNDER) EXPENDITURES AND OTHER USES | (54,531) | (76,174) | 31,280 | (99,425) |
| FUND BALANCES - BEGINNING OF YEAR | 106,284 | 89,177 | 187,264 | 382,725 |
| FUND BALANCES - END OF YEAR | \$51,753 | \$13,003 | \$218,544 | \$283,300 |

TRUST AND AGENCY FUND

CARP LAKE TOWNSHIP STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TRUST AND AGENCY FUND - TAX COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2004

| _ _ | BALANCE APRIL 1, 2003 | ADDITIONS | DELETIONS | BALANCE MARCH 31, 2004 |
|----------------------------|-----------------------------|-----------|-----------|------------------------------|
| ASSETS: | | | | |
| Cash | \$29,091 | \$826,415 | \$854,746 | \$760 |
| LIABILITIES: | | | | |
| Due to other funds | \$8,755 | \$92,122 | \$100,117 | \$760 |
| Due to County | 8,486 | 145,589 | 154,075 | \$700 |
| Due to State | , <u>.</u> | 131,401 | 131,401 | - |
| Due to Schools | 8,125 | 331,589 | 339,714 | - |
| Due to Intermediate School | , | , | 555,714 | - |
| District | 1,993 | 67,172 | 69,165 | |
| Due to College | 1,732 | 58,542 | 60,274 | - |
| | \$29,091 | \$826,415 | \$854,746 | \$760 |



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

November 3, 2004

Township Board Carp Lake Township Emmet County, Michigan

In planning and performing my audit of the general purpose financial statements of *Carp Lake Township*, *Emmet County*, *Michigan*, for the year ended March 31, 2004, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated November 3, 2004 on the financial statements of *Carp Lake Township*.

Thank you for the opportunity to serve *Carp Lake Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

Carp Lake Township Comments & Suggestions November 3, 2004 Page 2 (two)

SEGREGATION OF DUTIES

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Carp Lake Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Carp Lake Township*, where corrective action is not practical, and is not considered to be a material weakness.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

UNPAID PAYROLL TAXES AND FILING OF FORM 941

I noted that the township has outstanding payroll tax deposits and potential Federal Form 941's not paid or filed for the fiscal year. The outstanding liability is estimated to be \$1,500 and the first quarter Form 941 does not appear to prepared, filed or paid. Though the amounts are immaterial, the payment and filings should be rectified as soon as possible.

UPCOMING FINANCIAL REPORTING CHANGES

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the most significant change in the history of government financial reporting. These new requirements for the annual financial reports of state and local governments become effective for Carp Lake Township for the year ended March 31, 2005 (the first audit year will be March 31, 2006) and may take time to implement.

Carp Lake Township Comments & Suggestions November 3, 2004 Page 3 (three)

UPCOMING FINANCIAL REPORTING CHANGES (CONTINUED)

As the effective date will be next audit year (March 31, 2006), I would be pleased to explain these changes and what they mean for Carp Lake Township as well as assist in implementing this new standard.